BRITISH COLUMBIA 1998 PRELIMINARY FARM INCOME HIGHLIGHTS

May 26, 1999

BRITISH COLUMBIA

Ministry of
Agriculture and Food

Statistical Services Unit
Policy & Legislation Services

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FOREWORD

The farm income estimate for British Columbia is prepared twice a year (in May and November) by Statistics Canada with input from the Ministry's Statistical Services Unit. This publication presents the results of the first (or preliminary) estimate for 1998 released May 26, 1999, based on information (from surveys and administrative data) up to the end of March 1998. The estimate replaces the forecast estimate for 1998 prepared by Agriculture Canada in collaboration with Statistics Canada and the Ministry in December-January 1999.

What is unusual this year about the May estimate for 1998 is that it is accompanied by intercensus revisions of the farm accounts going back to 1991. These revisions, which are done once every five years, are the result of benchmarking all data in the farm cash receipts and expenses accounts for the intercensus years 1991-1995, to the 1996 Census of Agriculture. The effect is to change the historical averages of receipts, expenses and income

In the development of the May estimate for 1998, estimates of market receipts are prepared for individual commodities, but the program payments and farm expenses are prepared as totals for all sectors. Thus, the net income estimate for 1998 is an aggregate for the entire farm sector of B.C. It does not necessarily portray the situation of specific commodity sectors.

The contribution of Ministry field and head office staff who provided information towards the development and validation of the estimates for specific crops, livestock and program payments is gratefully acknowledged.

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The 1998 Farm Income For British Columbia - Highlights of the May 1999 Preliminary Estimate

FARM INCOME

Statistics Canada released its May preliminary estimate of 1998 farm income for Canada and the provinces on May 26, 1999. The estimates indicate rather impressive gains in British Columbia's farm income for 1998. And, from a longer perspective, the results are equally impressive. Net cash income for 1998 is estimated at $409 million, up 16.8 percent from 1997, and the highest on record. Also, this level of cash income was 43.8 percent above the 1993-97 five year average. Realized net income is estimated at $222 million, up 33.2 percent from 1997, and 81.7 percent above the 1993-1997 five year average [see Table 1]. Finally, after accounting for change in inventory valuation, the total net income for BC was reported at $228 million, up 56.1 percent from 1997, and 75 percent above its five year average.

In comparison, the 1998 net cash income of all farmers in Canada was recorded at $6.2 billion, down 9.1 percent from 1997 but slightly higher than the previous five year average. Their realized income is estimated at $2.7 billion, down 22 percent from 1997 and 10 percent below the 1993-97 five year average. Sagging grain markets and a big slide in hog prices were largely responsible for these income declines.

In the other larger provinces, the change in farm incomes from a year ago varied noticeably [see Table 3]. Changes in net cash incomes ranged from gains of 4 percent in Quebec to declines of 32.9 percent in Manitoba, 20.3 percent in Saskatchewan and 13.3 percent in Alberta. Similarly, changes in realized net incomes ranged from gains of 3.2 percent in Quebec to declines of 59.8 percent in Manitoba, 41.5 percent in Saskatchewan, 35.1 percent in Alberta and 8.5 percent in Ontario.

In sum, among the larger provinces, British Columbia had the best gains year over year in both net cash income and realized net income.

The main source of British Columbia's net farm income gains in 1998 was higher market receipts from livestock which added $35 million to the annual gain of $59 million in net cash income. British Columbia's farm income was also supported by a stable core of thriving crops which include berries, grapes, potatoes, greenhouse vegetables, flowers and nursery products.

CASH RECEIPTS

The cash receipts of farmers in B.C rose by 4 percent in 1998 to an estimated $1.828 billion. This level of receipts is also 13.5 percent higher than the previous five year average. There was an increase of 5 percent in crop receipts, an increase of 3.1 percent in livestock receipts, and an increase of less than 1 percent in program receipts [see Tables 1 and 2].

1. Crops

Wheat and barley receipts declined as a result of a drop in both marketings and prices. Production was up significantly due to good weather but producers appear to have postponed sales into 1999 in the hope that prices will improve. Canola, receipts were up strongly however, with large volumes of marketings in the current year offsetting slightly lower prices.

Tree fruit receipts overall increased 3 percent. While soft fruit receipts were up significantly due to a larger crop, total receipts for tree fruit increased much less because of a slight increase in sales of apples, the dominant fruit, due to weak prices caused by a record Washington crop and increasing production in China which affected Asian demand for BC apples.

The cash receipts for vegetables other than potatoes were down slightly while potato receipts rose 29 percent, recovering after a particularly wet year in 1997 that had left some crop unharvested.

Berry and grape receipts were up a solid 9.2 percent. This reflected mainly bumper crops of blueberries and cranberries that more than offset lower prices for these and other berries, plus an increased harvest of grapes, particularly wine varieties.

Ginseng farmers earned lower receipts from root and seed sales in 1998 (from their 1997 fall planted crop). A drop in the average price of ginseng root more than offset the impact of increased acreage and production.

Despite a significant drop in housing starts, floriculture and nursery product receipts continued to expand rising 4.5 percent and topping $300 million for the first time. Strong export sales were a factor.

Forage sales rose sharply by 35.6 percent, primarily due to a combination of better prices and higher production of both hay and forage seed.

2. Livestock

Livestock receipts moved higher in1998 to total $984 million. At that level they were 11 percent above their 1993-97 average, or a $100 million increase over five years. In 1998 they accounted for 55 percent of all market receipts.

Receipts for cattle and calves increased 9.2 percent. Higher prices pushed cattle receipts higher while both increased prices and stronger marketings led to higher calf receipts.

Hog receipts dropped sharply by 27 percent due to plummeting North American prices through the latter half of 1998.

Dairy product receipts grew steadily by 4.1 percent to $336 million, a new high, due mainly to an increase in the price of industrial milk, while fluid prices were adjusted down over the year by the B.C. Milk Board.

Poultry receipts showed an increase of 3.6 percent due to larger output of chicken and turkey meat that more than offset somewhat lower prices.

The receipts of honey producers dropped 15.6 percent due to a late season downturn in prices while those of fur producers rebounded 15.5 percent from the sharp drop in 1997 due to a recovery in prices.

FARM EXPENSES

British Columbia farmers' operating expenses (i.e. cash expenses) showed a very slight increase in 1998 of less than one percent. This was the smallest increase since 1990 and reflected the low inflation environment of the overall economy. Reductions were observed in large expense items such as wages (down 3.2 percent), feed (down 4.1 percent), fuel (down 5 percent) and fertilizer (down 4.4 percent). Other items that helped keep cash expenses down included building and repairs, business insurance, property taxes and rents. Interest expenses, on the other hand, rose 10 percent, the result of a 9 percent jump in farm debt. Further, low to moderate increases were seen in expenses such as electricity, legal and accounting fees, livestock purchases and pesticides. Although total cash expenses were virtually unchanged, they were 7.2 percent above their 1993-97 average.

Among fixed expenses, there was a slight increase in building depreciation partly due to the plateauing of farm real estate values, while machinery depreciation rose 1.5 percent due to higher new equipment inventories during 1998. The end impact was an increase of 0.8 percent from 1997 in overall farm expenses.

PROGRAM PAYMENTS

Direct government payments to B.C. farmers, increased slightly in 1998 to a total of $33.8 million [Table 2]. There were large payouts in 1998 under the new provincial Whole Farm Insurance program arising from weak commodity prices and poor weather conditions during the 1997 stabilization year in specific sectors (e.g. grain and oilseed and horticulture). Additionally, there were higher payouts under the NISA program because of higher average withdrawals by more program participants due to falling revenues for some eligible commodities. On the other hand, Crop Insurance program payments showed a 39 percent decline partly due to better weather conditions in 1998 and partly to the early processing of 1997 claims which had left 1997 payouts at a high level. Finally, the federal dairy subsidy in the fourth year of its phaseout continued to show decreased payments. Program payments in total were 4 percent above their 1993-97 average.

Table 1

BRITISH COLUMBIA

Farm Receipts, Expenses and Income: Current and Historical

		Avg.		Percent Change	
	1997r	1993-97	1998p	98p/97	98p/93-97
	$ '000	$ '000	$ '000	%	%
Total Crops	772,061	696,994	810,504	5.0	16.3
Total Livestock	953,735	883,654	983,631	3.1	11.3
Market Receipts	1,725,796	1,580,648	1,794,135	4.0	13.5
Total Direct Payments	33,557	32,503	33,824	0.8	4.1
Total Cash Receipts	1,759,353	1,613,151	1,827,959	3.9	13.3
Operating Expenses	1,408,914	1,328,666	1,418,742	0.7	6.8
Net Cash Income*	350,439	284,485	409,217	16.8	43.8
Realized Net Income**	166,597	122,117	221,885	33.2	81.7
Total Net Income***	146,127	130,352	228,116	56.1	75.0

CANADA

Farm Receipts, Expenses and Income : Current & Historical

		Avg.		Percent Change	
	1997r	1993-97	1998p	98p /97	98p/93-97
	$ '000	$ '000	$ '000	%	%
Total Crops	14,157,215	12,434,740	13,769,957	-2.7	10.7
Total Livestock	14,580,080	13,185,491	14,147,502	-3.0	7.3
Market Receipts	28,737,295	25,620,231	27,917,459	-2.9	9.0
Total Direct Payments	1,111,598	1,635,228	1,426,821	28.4	-12.7
Total Cash Receipts	29,848,893	27,255,459	29,344,280	-1.7	7.7
Operating Expenses	23,050,319	21,143,026	23,164,293	0.5	9.6
Net Cash Income*	6,798,574	6,112,433	6,179,987	-9.1	1.1
Realized Net Income**	3,418,552	2,961,932	2,666,422	-22.0	-10.0
Total Net Income***	2,467,500	3,489,711	2,861,986	16.0	-18.0

r Revised p Preliminary
(released May 1999)
Source: Statistics Canada Cat. 21-603E

*Net cash income is a measure of the cash available from farming for living expenses, debt repayment and reinvestment.

** Realized net income allows for depreciation charges and income-in-kind.

***Total net income is the value of earnings from all production activities in the calendar year. It is realized net income adjusted up for the value of unsold inventories in the current year, or adjusted down for sales out of previous year's inventories which are included in net cash income.

Table 2

B.C. Farm Cash Receipts By Commodity Group

	1997r	*1998p*	*Change*
	($'000)	*($'000)*	*%*
Grains & Oilseed	29,292	36,942	26.1
Forages	17,121	23,211	35.6
Treefruit	62,206	64,243	3.3
Berries & Grapes	87,651	95,720	9.2
Vegetables (incl. Potatoes)	207,474	211,738	2.1
Ginseng	23,570	22,317	-5.3
Floriculture & Nursery	287,856	300,841	4.5
Other	15,138	15,893	5.0
Christmas Trees	1,700	1,700	0.0
Forest Products	40,053	37,899	-5.4
Total Crops	772,061	810,504	5.0
Cattle & Calves	235,383	256,932	9.2
Hogs	50,078	37,618	-24.9
Sheep & Lamb	6,461	5,859	-9.3
Dairy Products	322,945	336,212	4.1
Poultry	231,512	239,820	3.6
Eggs	64,654	64,412	-0.4
Honey	6,493	5,477	-15.6
Fur	6,393	7,387	15.5
Other	29,816	29,914	0.3
Total Livestock	953,735	983,631	3.1
NISA Payments*	5,280	8,744	65.6
GRIP Payments	1,656	0	-100.0
Crop Insurance	12,985	7,898	-39.2
WGSA Payments	-3	-1	66.7
Tripartite Payments**	-3	0	100.0
Dairy Subsidy	8,215	8,083	-1.6
Other Payments	5,427	9,100	67.7
Total Direct Payments	33,557	33,824	0.8
Total Cash Receipts	1,759,353	1,827,959	3.9

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*Withdrawal of govt. contributions. ** Tripartite amounts are overpayments collected from producers.

Table 3

CANADA & PROVINCES - 1997r

Receipts, Expenses, Income

($'000)

	Nfld.	*PEI*	*N.S.*	*N.B.*	*Que.*	*Ont.*	*Man.*	*Sask.*	*Alta.*	*B.C.*	*Canada*
Total Farm Cash Receipts	76,858	274,118	377,032	305,398	4,783,925	6,846,665	3,032,349	5,909,798	6,483,395	1,759,353	29,848,893
Total Operating Expenses	60,503	249,852	303,475	277,021	3,668,274	5,592,258	2,317,405	4,296,300	4,876,314	1,408,914	23,050,319
Net Cash Income	16,355	24,266	73,557	28,377	1,115,651	1,254,407	714,944	1,613,498	1,607,081	350,439	6,798,574
Realized Net Income	13,139	-2,521	38,990	1,161	753,197	469,594	407,873	832,056	738,465	166,597	3,418,552
Total Net Income	12,799	9,818	33,213	7,460	727,318	484,924	291,736	184,367	569,737	146,127	2,467,500

CANADA & PROVINCES - 1998p

Receipts, Expenses, Income

($'000)

	Nfld.	*PEI*	*N.S.*	*N.B.*	*Que.*	*Ont.*	*Man.*	*Sask.*	*Alta.*	*B.C.*	*Canada*
Total Farm Cash Receipts	74,445	310,981	373,770	321,050	4,822,892	6,810,737	2,848,346	5,572,547	6,381,548	1,827,959	29,344,280
Total Operating Expenses	58,478	250,494	293,647	276,548	3,661,184	5,561,602	2,367,859	4,287,463	4,988,484	1,418,742	23,164,493
Net Cash Income	15,967	60,487	80,123	44,502	1,161,708	1,249,135	480,487	1,285,084	1,393,064	409,217	6,179,787
Realized Net Income	12,758	34,020	44,368	15,798	777,400	430,248	164,308	486,927	478,697	221,885	2,666,422
Total Net Income	12,756	18,647	44,101	12,392	778,216	482,374	295,240	543,425	446,706	228,116	2,861,986

CANADA & PROVINCES - 1998p/97

Receipts, Expenses, Income - Percent Changes 1998/97

%

	Nfld.	*PEI*	*N.S.*	*N.B.*	*Que.*	*Ont.*	*Man.*	*Sask.*	*Alta.*	*B.C.*	*Canada*
Total Farm Cash Receipts	-3.1	13.4	-0.9	5.1	0.8	-0.5	-6.1	-5.7	-1.6	3.9	-1.7
Total Operating Expenses	-3.3	0.3	-3.2	-0.2	-0.2	-0.5	2.2	-0.2	2.3	0.7	0.5
Net Cash Income	-2.4	149.3	8.9	56.8	4.1	-0.4	-32.8	-20.4	-13.3	16.8	-9.1
Realized Net Income	-2.9	1449.5	13.8	1260.7	3.2	-8.4	-59.7	-41.5	-35.2	33.2	-22.0
Total Net Income	-0.3	89.9	32.8	66.1	7.0	-0.5	1.2	194.8	-21.6	56.1	16.0

r Revised; p Preliminary Source: Statistics Canada, Cat. 21-603E